

Molemole Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Approval of annual financial statements



I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 59, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

31-Oct-12

Molemole Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

Index		Page
	 EX.9	
Statement of Financial Position	 EX.10	5
Statement of Financial Performance		6
Statement of Changes in Net Assets		7
Cash Flow Statement		8
Accounting Policies		9-19
Notes to the Annual Financial Statements		20-52
Appendix B: Analysis of Property, Plant and Equipment		53-56
Appendix B: Comparison of Budget versus Actual		57-58
Appendix C: Contingent Liabilities		59

Molemole Local Municipality STATEMENT OF FINANCIAL POSITION as at 30 June 2012			
	Note	2012 R	2011 R
ASSETS			
Current assets			
Cash and cash equivalents	1	18,452,984	12,161,717
Trade and other receivables from exchange transactions	2	10,389,842	(898,186)
Other receivables from non-exchange transactions	3	5,593,977	3,069,958
Other current financial assets	4	12,519,594	651,039
Inventories	5	209,882	540,272
Investments	6	-	-
VAT receivable	11	8,288,765	16,291,578
Non-current assets			
Property, plant and equipment	7	139,810,179	76,176,663
Investment property carried at fair value	8	3,734,000	-
Total assets		198,999,224	107,993,041
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	11,424,595	12,841,553
Consumer deposits	10	453,863	444,867
VAT payable	11	5,968,252	13,522,300
Current portion of unspent conditional grants and receipts	12	17,256,321	1,581,640
Other current financial liabilities	14	5,535,834	868,443
Non-current liabilities			
Non-current finance lease liability	13	2,393,571	601,099
Other non-current financial liabilities	14	4,888,341	-
Non-current provisions	15	2,320,852	-
Total liabilities		50,241,630	29,859,901
Net assets		148,757,594	78,133,139
NET ASSETS			
Reserves		42,695,546	20,463,443
Accumulated surplus		106,062,048	57,669,720
Total net assets		148,757,594	78,133,163

Molemole Local Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2012			
	Note	2012 R	2011 R
Revenue			
Property rates	16	3,359,021	3,810,519
Service charges	17	7,242,168	5,349,703
Rental of facilities and equipment	18	164,205	199,869
Interest earned - external investments	19	610,454	587,539
Interest earned - outstanding receivables	20	2,104,642	1,206,716
Fines		514,212	516,045
Licences and permits		(467,043)	2,676,088
Government grants and subsidies	21	74,521,402	67,389,013
Public contributions and donations	22.2	9,183,076	21,500
Other income	22	5,020,217	2,089,498
Total revenue		102,252,354	83,846,489
Expenses			
Employee related costs	23	39,516,922	28,775,607
Remuneration of councillors	24	6,297,007	5,223,329
Bad debts		-	3,907,662
Depreciation and amortisation expense	25	4,924,712	4,282,926
Repairs and maintenance		1,460,530	3,524,859
Finance costs	26	217,259	316,474
Bulk purchases	27	5,544,185	3,959,130
General expenses	30	22,490,900	17,005,719
Total expenses		80,451,515	66,995,707
Gain / (loss) on sale of assets	31	-	-
(Impairment loss) / Reversal of impairment loss	32	-	-
Profit / (loss) on fair value adjustment	33	-	-
Inventories: (Write-down) / reversal of write-down to net realisable value	5	-	-
Surplus / (deficit) for the period		21,800,839	16,850,781

Molemole Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2010	5,068,809		5,068,809	55,522,659	60,591,468
Changes in accounting policy					-
Correction of prior period error				-	-
Restated balance	5,068,809	-	5,068,809	55,522,659	60,591,468
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Fair Value adjustments on unbundled assets				690,914	690,914
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)		-	-	-	-
Surplus / (deficit) for the period				16,850,781	16,850,781
Balance at 30 June 2011	5,068,809	-	5,068,809	73,064,354	78,133,163
Correction of prior period error				-	-
Restated balance	5,068,809	-	5,068,809	73,064,354	78,133,163
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
	42,695,546		42,695,546		42,695,546
<i>Other items</i>				6,128,047	6,128,047
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				21,800,839	21,800,839
Balance at 30 June 2012	47,764,355	-	47,764,355	100,993,240	148,757,594

Molemole Local Municipality CASH FLOW STATEMENT as at 30 June 2012			
	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		103,589,039	77,604,592
Sales of goods and services		10,812,563	9,160,302
Grants		74,521,402	67,389,013
Interest received		2,715,096	1,794,254
Other receipts		14,203,293	5,561,856
Working capital changes		1,336,685	(6,300,833)
Payments		75,526,803	53,960,583
Employee costs		45,813,929	34,677,076
Suppliers		5,544,185	23,745,734
Interest paid		217,259	316,474
Other payments		23,951,429	(4,778,701)
Net cash flows from operating activities	34	28,062,236	23,644,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(27,038,634)	(18,274,773)
Increase in investment property		(3,734,000)	-
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of intangibles		-	-
Decrease/(Increase) in Loans and receivables		-	-
Net cash flows from investing activities		(30,772,634)	(18,274,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,792,472	-
Increase in liability funding		7,209,193	-
Increase in provision liabilities		-	-
Proceeds from finance lease liability		-	(92,524)
Repayment of finance lease liability		-	-
Net cash flows from financing activities		9,001,665	(92,524)
Net increase / (decrease) in net cash and cash equivalents		6,291,267	5,276,712
Net cash and cash equivalents at beginning of period		12,161,717	6,885,005
Net cash and cash equivalents at end of period	35	18,452,984	12,161,717

Molemole Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Nature of impending changes in accounting policy:
None.

Impact on the municipality's financial statements once implemented:
None.

1.6 USE OF ESTIMATES

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these

estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.7 OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	36 years	Buildings	30 years
Electricity	45 years	Other vehicles	5 years
Water	20 years	Office equipment	5 years
Sewerage	20 years	Furniture and fittings	7 years
Community		Bins and containers	2 years
Recreational Facilities	20 years	Other items of plant and equipment	10 years
Security	20 years	Landfill sites	30 years
Parks and gardens	30 years	Computer equipment	3 years
		Other	
Finance lease assets			
Office equipment	5 years		
Other assets			

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	Not applicable
---------------------	----------------

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and

- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand			
Cash at bank		18,452,984	12,161,717
Call deposits			-
		<u>18,452,984</u>	<u>12,161,717</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
Nedbank Limited -Polokwane branch - 1467000442			
Cash book balance at beginning of year		12,161,717	3,382,219
Cash book balance at end of year		1,108,063	12,161,717
Bank statement balance at beginning of year		14,822,565	7,754,918
Bank statement balance at end of year		5,168,000	14,822,565
<u>Grants fund account (Call deposit bank account)</u>			
Nedbank Limited Polokwane branch - 037411508977			
Cash book balance at beginning of year		-	
Cash book balance at end of year		17,344,921	-
Bank statement balance at beginning of year		-	
Bank statement balance at end of year		17,344,921	
<u>Call deposits</u>			
Nedbank Bank Limited - Polokwane Branch -			
Cash book balance at beginning of year		115,718	
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		115,844	
Bank statement balance at end of year		-	115,844
<u>Cash on hand</u>			
Total cash and cash equivalents		18,452,984	12,161,717
Total bank overdraft		-	-

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2012			
Service debtors			
Electricity		4,390,701	2,326,224
Rates		11,500,061	4,213,175
Refuse		2,780,855	1,473,316
Other		4,486,779	2,377,127
Total		23,158,396	10,389,842
<u>Other receivables</u>		-	-
Other receivables		-	-
Total Trade and other receivables		23,158,396	10,389,842
as at 30 June 2011			
Service debtors			
Electricity		3,516,871	679,116
Rates		7,134,433	687,507
Refuse		2,190,828	453,971
Other		2,824,414	805,786
Total		15,666,546	2,626,380
<u>Other receivables</u>		-	-
Other receivables		-	-
Total Trade and other receivables		15,666,546	2,626,380
<u>Rates: Ageing</u>			
Current (0 – 30 days)		1,260,640	614,744
31 - 60 Days		621,376	231,678
61 - 90 Days		620,354	228,523
91 - 120 Days		618,887	210,793
121 - 365 Days		2,338,668	211,494
+ 365 Days		6,040,135	5,637,200
Total		11,500,061	7,134,432
<u>Electricity</u>			
Current (0 – 30 days)		584,402	307,567
31 - 60 Days		155,458	115,912
61 - 90 Days		158,011	114,334
91 - 120 Days		179,184	105,463
121 - 365 Days		1,446,164	105,814
+ 365 Days		1,867,483	2,767,780
Total		4,390,701	3,516,870
<u>Refuse</u>			
Current (0 – 30 days)		190,037	188,775
31 - 60 Days		92,372	71,143
61 - 90 Days		91,842	70,175
91 - 120 Days		90,602	64,730
121 - 365 Days		655,915	64,945
+ 365 days		1,660,087	1,731,060
Total		2,780,855.46	2,190,828
<u>Other</u>			
Current (0 – 30 days)		6,804	448,412
31 - 60 Days		1,156	168,683
61 - 90 Days		1,156	166,336
91 - 120 Days		1,156	153,489
121 - 365 Days		3,073,133	153,917
+ 365 Days		1,403,374	447,893
Total		4,486,779	1,538,730

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note

2012
R

2011
R

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
2.1 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		13,039,896	9,132,234
Contributions to provision		-	3,907,662
Doubtful debts written off against provision		-	-
Reversal of provision		271,341	-
Balance at end of year		12,768,555	13,039,896
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Insurance claims		-	-
Rates and other taxes		-	-
Subsidies		-	-
Road reinstatements		-	-
Unauthorized expenditure (see Note 50.1)	Notes 1-10/A686	-	-
Other debtors		5,593,977	3,069,958
Prepayments (if not material)		-	-
Total Other Debtors		5,593,977	3,069,958
4 OTHER CURRENT FINANCIAL ASSETS			
Other current financial assets		12,519,594	651,039

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note

2012
R

2011
R

5 INVENTORIES

Opening balance of inventories:

Consumable stores - at cost

540,272

540,272

Consumable stores - at cost

540,272	540,272
---------	---------

Additions:

Consumable stores

(330,390)

-

Consumable stores

(330,390)

-

Consumable stores

-

-

Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):

Consumable stores

-

-

Consumable stores

-

-

Closing balance of inventories:

Consumable stores

209,882

540,272

Consumable stores

209,882	540,272
---------	---------

6 INVESTMENTS

Deposits

-

-

Call investments

-

-

-	-
---	---

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note

2012
R

2011
R

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2011	1,513,500	3,890,914	45,095,016	17,171,033	-	8,091,741	414,459	76,176,663
Cost/Revaluation	1,513,500	4,664,868	46,868,236	18,907,428	-	19,568,992	694,367	92,217,392
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(773,955)	(1,773,220)	(1,736,395)	-	(11,477,251)	(279,908)	(16,040,729)
Acquisitions and Donations	-	10,054,146	81,494,306	8,597,761	-	2,329,437	2,073,036	104,548,686
Capital under Construction	-	6,565,977	-	-	-	-	-	6,565,977
Depreciation	-	(960,646)	(1,284,678)	(498,497)	-	(1,813,811)	-	(4,600,600)
Carrying value of disposals	-	154,492	36,492,269	108,447	-	377,188	615,022	37,747,417
Cost/Revaluation	-	262,330	39,086,753	215,833	-	3,440,811	964,367	43,970,093
Accumulated depreciation and impairment losses	-	(107,838)	(2,594,483)	(107,387)	-	(3,063,623)	(349,345)	(6,222,676)
Impairment loss	-	-	-	-	-	(124,161)	-	(124,161)
Transfers	-	-	-	9,712,262	-	-	-	9,712,262
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2012	3,957,860	8,804,115	89,509,818	26,359,164	77,128	9,154,576	1,947,518	139,810,179
Cost/Revaluation	3,957,860	10,512,325	90,306,009	27,289,356	82,155	18,786,226	2,073,036	153,006,967
Accumulated depreciation and impairment losses	-	(1,708,210)	(796,191)	(930,192)	(5,027)	(9,631,650)	(125,518)	(13,196,788)

Refer to Appendix B for more detail on property, plant and equipment

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

7.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2010	1,513,500	3,742,915	37,523,350	10,219,315	-	7,934,826	545,717	61,479,622
Cost/Revaluation	1,513,500	4,367,675	38,213,907	11,513,704	-	16,809,474	694,367	73,112,627
Correction of error (note 48)								-
Change in accounting policy (note 47)								-
Accumulated depreciation and impairment losses	-	(624,760)	(690,557)	(1,294,389)	-	(8,874,649)	(148,650)	(11,633,005)
Acquisitions	-	297,193	8,654,330	7,393,724	-	2,759,518	-	19,104,765
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(149,194)	(1,082,663)	(341,711)	-	(2,578,126)	(131,258)	(4,282,953)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	(100,295)	-	(24,477)	-	(124,772)
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2011	1,513,500	3,890,914	45,095,016	17,171,033	-	8,091,741	414,459	76,176,663
Cost/Revaluation	1,513,500	4,664,868	46,868,236	18,907,428	-	19,568,992	694,367	92,217,392
Accumulated depreciation and impairment losses	-	(773,955)	(1,773,220)	(1,736,395)	-	(11,477,251)	(279,908)	(16,040,729)

Refer to Appendix B for more detail on property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
7.2 Property, plant and equipment pledged as security			
There were no assets pledged as security in the current year.		-	-
7.3 Capitalised expenditure			
Buildings		10,054,146	297,193
Infrastructure		81,494,306	8,654,330
Community		8,597,761	7,393,724
Other assets		2,329,437	2,759,518
		<u>102,475,650</u>	<u>19,104,765</u>

7.4 Compensation received for losses on property, plant and equipment – included in operating surplus

There was no compensation received for losses on property, plant and equipment – included in operating surplus during the year.

-	-
---	---

7.5 Details of valuation

The effective date of the revaluations was 30 June 2012. Revaluations were performed by an independent valuers , Phekiso Consulting Engineers Pr Eng Number 201170148 . Phekiso Consulting Engineers are not connected to the entity.

The valuation was performed using the discounted cash flow approach.

These assumptions are based on current market conditions.

-	-
---	---

8 INVESTMENT PROPERTY CARRIED AT FAIR VALUE

8.1 Reconciliation of fair value

	Land R		Total R
as at 1 July 2011		-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers in	-	-	-
Other movements	3,734,000	-	3,734,000
as at 30 June 2012	3,734,000	-	3,734,000

Reconciliation of fair value

	Land R		Total R
as at 1 July 2010	-	-	-
Acquisitions	-	-	-
Fair value adjustment	-	-	-
Fair value of disposals	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
as at 30 June 2011	-	-	-

Molemole Local Municipality received a donation in the form of land from Capricorn District Municipality in the current year. The land was received at market value. Molemole Local Municipality has not yet determined the use for which the land would be put.

There was no rental income accrued for received or expenses incurred in respect of the holding of the donated land by Molemole Local Municipality.

8.2 Rental income from investment property

Direct operating expenses from rental generating property	-	-
Direct operating expenses from non-rental generating property	-	-

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		5,121,626	4,687,196
Payments received in advance		-	-
Retentions		-	-
Staff leave accrual		4,399,324	4,672,437
Accrued interest		-	-
Other creditors		1,903,645	3,481,920
Total creditors		11,424,595	12,841,553

The fair value of trade and other payables approximates their carrying amounts.

10 CONSUMER DEPOSITS

Electricity and Water	453,863	442,117
Accrued interest	-	2,750
Total consumer deposits	453,863	444,867

No interest is paid on consumer deposits.

11 VAT PAYABLE

VAT payable	5,968,252	13,522,300
-------------	-----------	------------

VAT is payable on the invoice basis. VAT is paid over to SARS when debtors are invoiced.

11 VAT RECEIVABLE

VAT receivable	8,288,765	16,291,578
	8,288,765	16,291,578

VAT is claimable on the invoice basis. VAT is claimed from SARS once an invoice has been received from creditors.

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
12.1 Unspent Conditional Grants from other spheres of Government			
MIG Grants		12,813,255	-
Other			1,119,713
Other			
12.2 Other Unspent Conditional Grants and Receipts			
Other		4,235,120	461,927
Other			
Total Unspent Conditional Grants and Receipts		17,048,375	1,581,640
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		17,256,321	1,581,640

See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

[Notes15-61\A291](#)

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
13 FINANCE LEASE LIABILITY			
2012			
Amounts payable under finance leases	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year			
Within two to five years			
	-	-	<u>2,393,571</u>
Less: Amount due for settlement within 12 months (current portion)			<u>-</u>
			<u>2,393,571</u>

The implicit interest rate embedded on a lease is 9.5%. The lease expires in

2011	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	818,358	217,259	601,099
Within two to five years			
	<u>818,358</u>	<u>217,259</u>	<u>601,099</u>
Less: Amount due for settlement within 12 months (current portion)			<u>-</u>
			<u>601,099</u>

The implicit interest rate embedded on a lease is 9.5%. The lease expires in

14 OTHER FINANCIAL LIABILITIES
14.1 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities	<u>4,888,341</u>	<u>-</u>
---	------------------	----------

14.2 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities	<u>5,535,834</u>	<u>868,443</u>
-------------------------------------	------------------	----------------

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
15 NON-CURRENT PROVISIONS			
Provision for rehabilitation of landfill sites		-	-
Provision for long-service awards		2,320,852	-
Total Non-Current Provisions		2,320,852	-

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover.

The movement in the non-current provision is reconciled as follows: -

	Provision for rehabilitation of landfill sites:		
	Balance at the beginning of year	-	-
....	Contributions to provision	-	-
	Expenditure incurred	-	-
	Increase in provision due to discounting	-	-
	Transfer to current provisions	-	-
	Balance at the end of year	-	-
	Provision for long-service awards:		
	Balance at the beginning of year	-	-
	Contributions to provision	2,320,852	-
	Expenditure incurred	-	-
	Increase in provision due to discounting	-	-
	Transfer to current provisions	-	-
	Balance at the end of year	2,320,852	-

16 PROPERTY RATES

Actual		
Residential	3,359,021	3,810,519
Commercial	-	-
Light Industries	-	-
Heavy Industries	-	-
State	-	-
Total property rates	3,359,021	3,810,519
Property rates - penalties imposed and collection charges	-	-
Total	3,359,021	3,810,519

Valuations

Residential		
Commercial		
State		
Municipal		
Total Property Valuations	-	-

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
17 SERVICE CHARGES			
Sale of electricity		5,720,012	4,259,848
Sale of water		-	-
Refuse removal		1,522,156	818,710
Sewerage and sanitation charges		-	271,146
Total Service Charges		7,242,168	5,349,703
18 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		145,698	171,909
Rental of equipment		18,508	27,961
Other rentals		-	-
Total rentals		164,205	199,869
19 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		610,454	587,539
Financial assets			
Other			
Total interest		610,454	587,539
20 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Debtors		2,104,642	1,206,716
Total interest		2,104,642	1,206,716
21 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		66,171,000	57,082,624
MIG Grant		6,247,096	7,047,650
Other Government Grants and Subsidies		2,103,307	3,258,739
Total Government Grant and Subsidies		74,521,402	67,389,013
21.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.			
21.2 MIG Grant			
Balance unspent at beginning of year		(7,047,650)	-
Current year receipts		19,060,351	
Conditions met - transferred to revenue		(6,247,096)	(7,047,650)
Conditions still to be met - remain liabilities (see note 21)	Notes 15-61/A124	5,765,605	(7,047,650)
21.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		1,581,640	
Current year receipts		4,756,786	4,840,379
Conditions met - transferred to revenue		(2,103,307)	(3,258,739)
Conditions still to be met - remain liabilities (see note 21)		4,235,120	1,581,640
21.4 Changes in levels of government grants			
The Municipality does not expect any significant in the level of government grant funds over the next four financial years.			

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R	
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS				
22.1 Other income				
Other income		5,020,217	2,089,498	
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)		-	-	
Total Other Income		5,020,217	2,089,498	
22.1 Public contributions and donations				
Public contributions - Conditional		-	-	
Public contributions - Unconditional		-	-	
Donations		9,183,076	21,500	
Total public contributions and donations		9,183,076	21,500	
Reconciliation of conditional contributions				
Balance unspent at beginning of year				
Current year receipts				
Conditions met - transferred to revenue				
Conditions still to be met - remain liabilities (see note 21)		-	-	
23 EMPLOYEE RELATED COSTS				
		41,225,746	31,792,529	
Employee related costs - Salaries and Wages		21,411,951	18,963,889	
Employee related costs - Contributions for UIF, pensions and medical aids		5,570,617	4,329,203	
Travel, motor car, accommodation, subsistence and other allowances		2,885,352	2,130,573	
Housing benefits and allowances		994,572	674,908	
Overtime payments		364,354	630,401	
Performance and other bonuses		1,552,796	1,173,056	
Long-service awards		85,076	40,226	
Other employee related costs		6,652,205	833,351	
Employee Related Costs		39,516,922	28,775,607	
Remuneration of the Municipal Manager				
Annual Remuneration		951,229	373,923	
Performance- and other bonuses		79,606	-	
Travel, motor car, accommodation, subsistence and other allowances		121,000	66,000	
Contributions to UIF, Medical and Pension Funds		-	-	
Total		1,151,835	439,923	
Remuneration of the Chief Finance Officer				
Annual Remuneration		-	564,710	
Performance- and other bonuses		-	-	
Travel, motor car, accommodation, subsistence and other allowances		-	216,000	
Contributions to UIF, Medical and Pension Funds		-	-	
Total		-	780,710	
Remuneration of Individual Executive Directors				
	Technical Services R	Corporate Services R	Community Services R	Local Economic Development Manager R
2012				
Annual Remuneration	52,308	51,692	377,522	396,667
Performance- and other bonuses	-	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	13,333	6,833	55,301	6,833
Contributions to UIF, Medical and Pension Funds	-	-	-	-
Total	65,641	58,525	432,823	403,500
	Technical Services R	Corporate Services R	Community Services R	Local Economic Development Manager R
2011				
Annual Remuneration	333,570	517,169	546,193	554,443
Performance- and other bonuses	-	-	-	72,000
Travel, motor car, accommodation, subsistence and other allowances	72,000	60,000	99,000	9,000
Contributions to UIF, Medical and Pension Funds	99,000	69,357	-	-
Total	504,570	646,526	645,193	635,443

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
24 REMUNERATION OF COUNCILLORS			
Executive Mayor		630,735	576,118
Deputy Executive Mayor		477,761	442,640
Speaker		508,356	441,152
Executive Committee Members		1,056,620	1,030,883
Councillors		3,623,535	2,900,471
Councillors' pension and medical aid contributions		-	-
Councillors' allowances		-	-
Total Councillors' Remuneration		6,297,007	5,223,329
In-kind Benefits			
The Executive Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support at the cost of the Council.			
The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties.			
25 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		4,924,712	4,282,926
Intangible assets		-	-
Investment property carried at cost		-	-
Biological assets carried at cost		-	-
Total Depreciation and Amortisation		4,924,712	4,282,926
26 FINANCE COSTS			
Borrowings		217,259	316,474
Consumer deposits		-	-
Bank overdrafts		-	-
Total Finance Costs		217,259	316,474
27 BULK PURCHASES			
Electricity		5,544,185	3,959,130
Water		-	-
Total Bulk Purchases		5,544,185	3,959,130
28 CONTRACTED SERVICES			
Contracted services for:			
The Municipality did not have contracted services in the current and previous financial period.			
		-	-
29 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to		-	-
		-	-
The Municipality did not payout any grant to a third party in the current and prior financial periods.			

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
30 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		446,301	157,190
Admin fees		113,843	-
Audit fees		2,118,492	1,774,740
Bank charges		251,153	265,290
Bursaries		88,701	-
Cleaning		223,988	146,591
Conferences and delegations		231,708	141,992
Connection charges		-	-
Consulting fees		616,065	1,214,425
Consumables		785,775	398,685
Debt collection commission		-	-
Departmental consumption		-	-
Entertainment		29,841	28,774
Financial management grant		-	-
Fuel and oil		795,894	1,156,760
Insurance		673,488	566,699
Legal expenses		1,564,149	426,732
Levies paid		-	-
Licence fees - vehicles		37,940	50,161
Licence fees - computers		-	-
Membership fees		749,962	110,890
Parking		-	-
Postage		-	-
Printing and stationery		290,115	200,804
Professional fees		-	-
Rental of buildings		64,477	108,590
Rental of office equipment		-	-
Rental of computer equipment		-	-
Other rentals		1,750,581	201,102
Security costs		1,904,943	1,023,339
Sewerage treatment costs		-	-
Skills development levies		320,063	251,681
Stocks and material		-	-
Subscription & publication		117,594	142,091
Telephone cost		400,269	666,486
Training		559,064	425,498
Transport claims		-	-
Travel and subsistence		555,578	820,598
Uniforms & overalls		296,770	140,806
Valuation costs		-	-
Water and Sanitation		-	-
Other		7,504,150	6,585,795
		22,490,900	17,005,719
31 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		-	-
Intangible assets		-	-
Investment property		-	-
Biological assets		-	-
Other financial assets		-	-
Total Gain / (Loss) on Sale of Assets		-	-

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
32 IMPAIRMENT LOSS			
Property, plant and equipment			
<p>During the physical verification of all movable assets, a condition assessment of each asset was conducted. It was established that certain such assets were in worse conditions than expected. The recoverable services amount was established by estimating what the entity could sell the asset for to a third party in an arm's length transaction.</p>			
Investment property		-	-
<p>No asset in this category was impaired.</p>			
Other financial assets		-	-
<p>No asset in this category was impaired.</p>			
Total Impairment loss		<u>-</u>	<u>-</u>

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT			
Investment property carried at fair value		-	-
Biological assets carried at fair value		-	-
Other financial assets		-	-
Other financial liabilities		-	-
Total Profit / (Loss) on Fair Value Adjustment		-	-
34 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		21,800,839	16,850,781
Adjustment for:-			
Depreciation and amortisation		4,924,712	4,282,926
(Gain) / loss on sale of assets		-	-
Contribution to provisions - non-current		7,554,040	
Contribution to provisions - current (bad debts and staff)		460,494	
Finance costs		(217,259)	-
Bad debts			3,907,662
Fair value adjustments		-	-
Impairment loss / (reversal of impairment loss)		-	124,772
Other non-cash item			
Operating surplus before working capital changes:		34,522,826	25,166,141
(Increase)/decrease in inventories		330,390	(88,524)
(Increase)/decrease in trade receivables		(11,288,027)	(5,743,533)
(Increase)/decrease in other receivables		(14,392,574)	(313,671)
(Increase)/decrease in VAT receivable		8,002,813	69,302
Increase/(decrease) in conditional grants and receipts		15,674,680	(312,932)
Increase/(decrease) in trade payables		(1,416,958)	4,853,398
Increase/(decrease) in consumer deposits		8,996	13,827
Increase/(decrease) in VAT payable		(7,554,040)	
Other current financial liabilities		4,667,391	
Other liability			
Cash generated by/(utilised in) operations		28,555,498	23,644,008
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		18,452,984	12,161,717
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		18,452,984	12,161,717

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note	2012	2011
	R	R

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
36 CORRECTION OF ERROR			
During the year ended 30 June 2010 and previous years, PPE and other assets were incorrectly recognised: -			
The comparative amount has been restated as follows:			
Depreciation			6,128,047
Net effect on surplus/(deficit) for the year		-	6,128,047
PPE			
VAT receivable not previously recognised			
Non current receivables incorrectly recognised (Investing Act)			
Accruals were understated due to lack of year-end accrual			
Staff leave accrual			
Net effect on Statement of Financial Position		-	-
Net effect on Accumulated surplus opening balance		-	-
37 CHANGE IN ESTIMATE			
The useful lives of certain classes of property, plant and equipment were revised during the financial year.			
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE			
38 DISALLOWED			
38.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		-	-
Unauthorised expenditure current year		-	-
Approved by Council or condoned		-	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation		-	-
38.2 Fruitless and wasteful expenditure			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		-	-
Fruitless and wasteful expenditure current year		-	-
Condoned or written off by Council		-	-
To be recovered – contingent asset (see note 55)	Notes 15-61/A883	-	-
Fruitless and wasteful expenditure awaiting condonement		-	-
38.3 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance		-	-
Fruitless and wasteful expenditure current year		-	-
Condoned or written off by Council		2,166,145	-
Transfer to receivables for recovery – not condoned		(2,166,145)	-
Irregular expenditure awaiting condonement		-	-

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
39 MANAGEMENT ACT			
39.1 Contributions to organised local government			
Opening balance			
Council subscriptions		414,023	-
Amount paid - current		(414,023)	-
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.2 Audit fees			
Opening balance		-	27,956
Current year audit fee		2,117,606	1,746,784
Amount paid - current year		(2,117,606)	(1,774,740)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.3 VAT			
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.			
39.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		55,694,337	3,819,736
Amount paid - current year		(55,694,337)	(3,819,736)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions		5,400,641	4,186,215
Amount paid - current year		(5,400,641)	(4,186,215)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less	Outstanding more
	R	than 90 days	than 90 days
		R	R
as at 30 June 2012			
Councillor ML Moabela	881	881	
	-		
	-		
Total Councillor Arrear Consumer Accounts	881	881	-
as at 30 June 2011			
Councillor ML Moabela	8,209	8,209	
	-		
	-		
Total Councillor Arrear Consumer Accounts	8,209	8,209	-
During the year the following Councillors had arrear accounts outstanding for more than 90 days.		Highest Amount	Ageing Days
		Outstanding	
		R	
as at 30 June 2012			
		-	
		-	
as at 30 June 2011			
		-	
		-	

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note	2012 R	2011 R
------	-----------	-----------

39.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy.

40 CAPITAL COMMITMENTS

40.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure
Community
Heritage
Other

12,012,700	(7,047,650)
12,012,700	(7,047,650)
-	-
-	-
-	-

- Approved but not yet contracted for

Infrastructure
Community
Heritage
Other

-	-
-	-
-	-
-	-

Total

12,012,700	(7,047,650)
-------------------	--------------------

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

12,012,700	7,047,650
12,012,700	7,047,650

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
41 RETIREMENT BENEFIT INFORMATION			
<p>The Council provides retirement benefits to employees by contributing to pension and provident Funds Membership of either pension or provident fund is compulsory for all permanent employees.</p> <p>The municipality and its employees contribute to 5 different Pension Funds, of which 3 (The Municipal Employees Pension Fund, Municipal Gratuity Fund and Samwu National Provident Fund) cater for the majority of the staff. The South African Local Authorities Pension Fund and the Municipal Employees Pension Fund, are defined benefit funds.</p>			
42 CONTINGENT LIABILITY			
42.1 Claim for damages		445,000	-
See Annexure H for full detail on Contingent Liabilities			
42.2 The above legal matters are ongoing and have not yet been finalized.		445 000	-
43 RELATED PARTIES			
<p>Members of key management</p> <p style="text-align: right;">No other payments are made outside contractual employment payments from employment. Refer to note 33 for remuneration.</p>			

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
44 EVENTS AFTER THE REPORTING DATE			
<p>The Municipality appointed a substantive Chief Financial Officer was appointed after the reporting date. It had been operating with an acting CFO for the better part of the financial year.</p>			
45 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS			
<p>The following areas involve a significant degree of estimation uncertainty:</p> <p>Useful lives and residual values of property, plant, and equipment Recoverable amounts of property, plant and equipment Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows) Present value of defined benefit obligation Fair value of plan assets Provision for doubtful debts Impairment of assets Provision for long-term service award</p> <p>The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:</p> <p>Impairment of assets Provisions</p>			
46 RISK MANAGEMENT			
46.1 Maximum credit risk exposure			
<p>Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.</p> <p>Trade receivables comprise a widespread customer base. There is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.</p> <p>Financial assets exposed to credit risk at year end were as follows:</p>			
Trade and other receivables		10,389,841	(898,186)
Investment in banks		18,452,984	12,161,717
<p>These balances represent the maximum exposure to credit risk.</p>			

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
46.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p> <p>The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.</p>			
Gross finance lease obligations			
Borrowings		-	-
Trade and other payables		5,177,500	12,841,553

46.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Molemole Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012 R	2011 R
47 IN-KIND DONATIONS AND ASSISTANCE			
The Municipality received the following in-kind donations and assistance from the Capricorn District Municipality during the year:			
Taxi ranks			5,449,076
Investment Property - Land			3,734,000
			<u><u>9,183,076</u></u>

48 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendices E(1) and E(2)

Molemole Local Municipality
APPENDIX A
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	10,310,729	-	-	-	10,310,729	-	-	-	-	-	-	-	10,310,729
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	10,310,729	-	-	-	10,310,729	-	-	-	-	-	-	-	10,310,729
Buildings	42,087,411	59,022,956	-	-	101,110,367	(16,040,704)	(4,924,712)	-	-	(17,558,212)	-	-	83,552,155
Infrastructure													
Drains	4,337,395	-	-	-	4,337,395	-	-	-	-	-	-	-	4,337,395
Roads	1,171,931	-	-	-	1,171,931	-	-	-	-	-	-	-	1,171,931
Sewerage Mains & Purification	28,699,668	-	-	-	28,699,668	-	-	-	-	-	-	-	28,699,668
Electricity Mains	1,296,409	-	-	-	1,296,409	-	-	-	-	-	-	-	1,296,409
Electricity Peak Load Equip	1,744,806	-	-	-	1,744,806	-	-	-	-	-	-	-	1,744,806
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
	37,250,209	-	-	-	37,250,209	-	-	-	-	-	-	-	37,250,209
Community Assets													
Parks & Gardens	145,423	-	-	-	145,423	-	-	-	-	-	-	-	145,423
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	2,423,619	-	-	-	2,423,619	-	-	-	-	-	-	-	2,423,619
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,569,042	-	-	-	2,569,042	-	-	-	-	-	-	-	2,569,042
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	92,217,391	59,022,956	-	-	151,240,347	(16,040,704)	(4,924,712)	-	-	(17,558,212)	-	-	133,682,135

Molemole Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	92,217,391	59,022,956	-	-	151,240,347	(16,040,704)	(4,924,712)	-	-	(17,558,212)	-	-	133,682,135
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	92,217,391	59,022,956	-	-	151,240,347	(16,040,704)	(4,924,712)	-	-	(17,558,212)	-	-	133,682,135

Molemole Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land		-	-		10,310,729		-		-	-	-	-	10,310,729
Landfill Sites		-	-	-	-		-	-	-	-	-	-	-
Quarries		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	10,310,729	-	-	-	-	-	-	-	10,310,729
Buildings		-	-	-	42,087,411		(4,282,926)	-	-	(16,040,704)	-	-	26,046,707
Infrastructure													
Drains		-	-	-	4,337,395		-	-	-	-	-	-	4,337,395
Roads		-	-	-	1,171,931		-	-	-	-	-	-	1,171,931
Sewerage Mains & Purification		-	-	-	28,699,668		-	-	-	-	-	-	28,699,668
Electricity Mains		-	-	-	1,296,409		-	-	-	-	-	-	1,296,409
Electricity Peak Load Equip		-	-	-	1,744,806		-	-	-	-	-	-	1,744,806
Water Mains & Purification		-	-	-	-		-	-	-	-	-	-	-
Reservoirs – Water		-	-	-	-		-	-	-	-	-	-	-
Water Meters		-	-	-	-		-	-	-	-	-	-	-
Storm Water		-	-	-	-		-	-	-	-	-	-	-
Under construction		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	37,250,209	-	-	-	-	-	-	-	37,250,209
Community Assets													
Parks & Gardens		-	-	-	145,423		-	-	-	-	-	-	145,423
Libraries		-	-	-	-		-	-	-	-	-	-	-
Recreation Grounds		-	-	-	2,423,619		-	-	-	-	-	-	2,423,619
Civic Buildings		-	-	-	-		-	-	-	-	-	-	-
Stadiums		-	-	-	-		-	-	-	-	-	-	-
Halls		-	-	-	-		-	-	-	-	-	-	-
Theatre		-	-	-	-		-	-	-	-	-	-	-
Swimming Pools		-	-	-	-		-	-	-	-	-	-	-
Cemeteries		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	2,569,042	-	-	-	-	-	-	-	2,569,042
Heritage Assets													
Historical Buildings		-	-	-	-		-	-	-	-	-	-	-
Paintings & Artifacts		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	-		-	-	-	-	-	-	-
Total carried forward	-	-	-	-	92,217,391	-	(4,282,926)	-	-	(16,040,704)	-	-	76,176,687

Molemole Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	-	-	-	-	92,217,391	-	(4,282,926)	-	-	(16,040,704)	-	-	76,176,687
Other Assets													
Office Equipment		-	-	-	-		-	-	-	-	-	-	-
Furniture & Fittings					-		-		-	-	-	-	-
Bins and Containers		-	-	-	-		-	-	-	-	-	-	-
Emergency Equipment		-	-	-	-		-	-	-	-	-	-	-
Motor vehicles			-	-	-	-	-	-	-	-	-	-	-
Fire engines		-	-	-	-		-	-	-	-	-	-	-
Refuse tankers		-		-	-		-	-	-	-	-	-	-
Computer Equipment			-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)			-	-	-		-	-	-	-	-	-	-
Other Assets		-		-	-		-		-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets													
Office Equipment		-	-	-	-		-	-	-	-	-	-	-
Other Assets		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	92,217,391	-	(4,282,926)	-	-	(16,040,704)	-	-	76,176,687

Description	2011/2012								
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of MFMA)	Virement (i.t.o Council approved policy)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	1	2	3	4	5	6	7	8	9
Financial Performance									
Property Rates	5,287,771	-	-	5,287,771	3,359,020	-	1,928,751	64	64
Service Charges	6,259,071	-	-	5,364,858	5,708,104	-	550,967	106	91
Investment Revenue	3,448,292	-	-	3,448,292	2,715,096	-	733,196	79	79
Transfers recognised - operational	71,198,000	1,388,000	-	72,586,000	68,128,425	-	3,069,575	94	96
Other own Revenue	23,792,321	-13,973,895	-	12,684,667	15,879,574	-	7,912,747	125	67
Total Revenue (Excluding capital transfers and contributions)	109,985,455	-12,585,895	-	99,371,588	95,790,219	-	14,195,236	96	87
Employee Costs	47,701,076	-5,601,483	-	42,099,593	39,384,752	-	2,714,841	94	83
Remuneration of Councillors	6,830,629	-	-	6,830,629	6,543,884	-	286,745	96	96
Debt Impairment	2,408,250	-	-	2,408,250	-	-	2,408,250	-	-
Depreciation and asset impairment	4,690,015	-	-	4,690,015	4,635,344	-	54,671	99	1
Finance Charges	-	-	-	-	-	-	-	-	-
Materials and Bulk purchases	3,894,391	2,000,000	-	5,894,391	5,544,182	-	350,209	94	1
Transfers and Grants	-	-	-	-	-	-	-	-	-
Other Expenditure	30,089,035	6,202,390	-	31,090,151	26,880,278	-	4,209,873	86	1
Total Expenditure	95,613,396	2,600,907	-	93,013,029	82,988,440	-	10,024,589	89	1
Loss: Impairment of Assets									
Surplus/(Deficit)	14,372,059	-15,186,802	-	6,358,559	12,801,780	-	4,170,646	201	1
Transfer Recognised - capital Contributions Recognised - capital & contributions assets	21,716,000	-2,000,000	-	19,716,000	6,462,135	-	13,253,865	33	0
Surplus/(Deficit) after capital transfer and contributions	-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit of associate	-	-	-	-	-	-	-	-	-
Surplus/Deficit for the year	-	-	-	-	-	-	-	-	-
Capital expenditure and funds resources									
Capital Expenditure						-			

Transfers recognised - Capital	19,833,795	743,253	-	20,577,048	6,462,135	-	14,114,913	31	0
Public Contributions and Donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	16,109,860	-3,646,802	-	12,463,058	-4,816,802	-	17,279,860	-	-
Total sources of capital	35,943,655	-2,903,549	-	33,040,106	1,645,333	-	31,394,773	#DIV/0!	#DIV/0!
Cash Flows									
Cash/cash equivalents at the beginning	-	-	-	-	-	-	-	-	-
Net Cash from (Used) operating	-	-	-	-	-	-	-	-	-
Net Cash from (Used) Investing	-	-	-	-	-	-	-	-	-
Net Cash from Used Financing	-	-	0	-	-	-	-	-	-
Cash/cash equivalents at the year end	-	-	-	-	-	-	-	-	-

Reconciliation of Budget surplus/deficit with the surplus/deficit in the statement of financial performance

Note

Net surplus/deficit per the statement of Financial pe 0

Adjusted for:

Revenue variances

Fair value adjustments income	0
Surplus on the sale of assets	0
Add: Revenue variances	1 -

Adjustment for:

Expenditure variances

Impairments recognised	0
Loss on sale of asset	0
Less: Expenditure variances	2 0
Debt Impairment - Actual	
Debt Impairment - Budget	

Net surplus/deficit per approved budget 0

Note 1

Revenue

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Property rates	3,359,020	5,287,771	1,928,751
Property rates - Penalties and collection charges	-	-	-
Service Charges	5,708,104	5,364,858	-343,246
Rental Received	164,205	100,048	-64,157
Interest Earned - External Investments	610,454	2,000,000	1,389,546
Interest Earned - Outstanding debtors	2,104,642	1,448,292	-656,350
Government Grants and Subsidies	68,128,425	72,586,000	4,457,575
Other Income	15,715,368	12,584,619	-3,130,749
Total Revenue	95,790,219	99,371,588	3,581,369

Note 2

Expenditure

Employee Costs	39,384,752	42,099,593	2,714,841
Remuneration of Councillors	6,543,884	6,830,629	286,745
Debt Impairment	-	2,408,250	2,408,250
Depreciation and asset impairment	4,635,344	4,690,015	54,671
Finance Charges	-	0	-
Materials and Bulk purchases	5,544,185	5,894,391	350,206
Transfers and Grants	-	-	-
Other Expenditure	26,880,278	31,090,151	4,209,873
Total Expenditure	82,988,443	93,013,029	10,024,586

APPENDIX C
CONTINGENT LIABILITY

Item no, Name of legal rep& contact details	Litigation	Nature of dispute	Status	Progress	Costs incurred to date	Projected estimates
1) MG Phatudi Attorneys 015 295 5666	Molemole v/s Mr. M Hlako	Irregular payment of performance bonus	In progress	Pending in the Magistrates Court awaiting date of	R61 869.00	±R 15000.00
2) MG Phatudi Attorneys 015 295 5666	Molemole v/s Mr. M Hlako	Illegal occupation (refusal to comply with an eviction order from municipal council)	In progress	Pending in the Magistrates Court Hearing date: 11/08/2012	R64 099.00	±R 20 000.00
3) MG Phatudi Attorneys 015 295 5666	Molemole v/s Polokwane Surfacing (PTY)	Non-payment of Cession on road construction project	In progress	Pending settlement, matter pending in Polokwane High Court	R43 860.16	±R 25 000.00
4) MG Phatudi Attorneys 015 295 5666 828558480	Molemole v/s Matebele Dinare	Irregular overpayments on a road project (unjustified enrichment)	In progress	Matter pending in the Pretoria High Court Hearing date: 04/08/2012	R270 170.57	±R 50 000.00
5) MG Phatudi Attorneys 015 295 5666	Molemole v/s Letshedi KTR	Irregular payment of performance bonus	In progress	Hearing date set for August 2012 at Polokwane Hearing date: 16/08/2012 Postponed	R10 000.00	±R 25 000.00
6) Mathabatha	Molemole Municipality / RW	Dismissal dispute	In progress	The matter is at the CCMA	R309 639.53	±R 150 000.00
7) MG Phatudi Attorneys 015 295 5666 828558480	Municipality v/s Mokganya & Raselaya (Former Manager)	Unfair dismissal dispute	In progress	The matter is at Labour Court	R360 730.51	±R75 000.00
8) AM Carrim 015 293 1666 827861700	Molemole Municipality v/s SAMWU	Request for information in terms of the provisions of PAIA	In progress		R7980.00	±R35 000.00
9) AM Carrim 015 293 1666 827861700	Molemole Municipality v/s Badau Film and	Civil claim for damages	In progress		None thus far	±R50 000.00
Total						445,000.00